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Duncan, Albert Greene

President's address

[Waltham, Mass.]

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# PRESIDENT'S ADDRESS

—BY—

ALBERT GREENE DUNCAN, President

TREASURER HARMONY MILLS

77 FRANKLIN STREET, BOSTON, MASS.

Delivered before The National Association of Cotton Manufacturers

at its 97th Meeting

Hotel Aspinwall, Lenox, Mass.

Held September 29 and 30, 1914

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INTENTIONAL SECOND EXPOSURE

Albert Greene Duncan

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## PRESIDENT'S ADDRESS.

ALBERT GREENE DUNCAN, President, Treasurer Harmony Mills,
77 Franklin Street, Boston, Mass.

Your President feels in addressing you tonight that a most difficult task devolves upon him. The cotton manufacturers of America have had to face problems, and trying ones, but they have been those particularly affecting the industry itself. We have never, at least in the present generation, faced a situation so perplexing and of such world-wide import as now, when in common with so many other lines of human endeavor we find stagnation, disarrangement, and threatened disaster on every side.

Why are we as a nation the innocent sufferers from a quarrel not of our own making, and in which we have the strongest determination not to be involved! The causes lie deep in the structure of our country's life and history.

Every nation in its progress from savagery to civilization passes through three well defined stages of progress. The first may be called natural development, in which men are engaged in fishing, fur trading, the breeding of animals, agriculture and mining. The second may be called industry, in which the raw materials of the mines, farms and forests are combined for the uses of civilization. During this period men gather themselves together in thickly settled communities, bank credits replace barter and means of transportation for raw materials and finished products are devised. The third and highest stage in national life is that of commerce, when having developed its natural resources, perfected its transportation systems and solidified its

credit a nation seeks to specialize in those products which its climate, resources and national character are best fitted to produce, and send these products broadcast throughout the world.

The countries of Europe had passed through the first stage of natural development long before this nation was established and during our early years they expanded their industries far beyond their own needs, and world-wide commerce has come to them in natural sequence. Their congested populations and highly developed industries have forced the older nations of the world to seek strenuously an outlet through commerce and colonization, and so their means of foreign transportation have grown, and their trade routes have girdled the globe. Controlling the routes of trade, they have become not only the carriers of their own goods but the distributors of the merchandise of others, and handling the distribution, they have managed the financing, through which the exchanges of merchandise are made.

This logical and inevitable development has built up in England, France, Holland and Germany a concentration of capital devoted not alone to their own needs, but to the financing and distributing of the products of their competitors. They are not merely producers but the great middlemen of the world, and this commercial expansion has resulted in cumulative profits to those nations engaged therein. An idea of the immensity of this business is shown by the fact that at the outbreak of hostilities London bankers had outstanding advances of over $2,000,000,000 for drafts of sellers of merchandise of other countries.

Commerce invariably brings with it a concentration of capital, as international exchange follows the trade routes of the world, leaving its toll with the nation through whose hand it passes. The great commercial nations have thus become the great banker and creditor nations, loaning their capital not only for moving the products, but for developing the resources of the countries with whom they trade.

In natural development and industry this country stands pre-



eminent. Its progress has been the wonder of all nations. In increase in population, in railway mileage and by all the standards that material prosperity is judged we are leaders. In actual total wealth we rank first. We possess $137.00 per capita, but so great has been the task before us in our comparatively short national existence that agriculture and industry have been fully taxed to keep pace with our expanding population. Intent on our internal progress we have never taken the position as a commercial nation to which our resources, energy and skill entitle us.

This is but a hasty summary of the progressive development of nations at peace, but a war, the extent or the consequence of which none of us have ever dreamed, has plunged the world in disorder. Driven by necessity to use every resource in their own dire extremity, the warring nations have called and withheld the capital hitherto freely loaned to the peoples of Asia and the Western Hemisphere, and by the withdrawing of this capital they have not only made their debtors feel the pinch of want, but have been unable any longer to facilitate the necessary distribution of the products of nations not involved in the struggle.

To put the matters more concretely, the business of the world has been done on the basis of credit through the medium of the 90 day draft on London; probably not 5 per cent. of the transactions between nations ever being settled by the actual transfer of that universal standard of value,— gold. With this suspension of credit the world finds itself forced to a cash basis, and though we may wish as a nation to dispose of our products, which are in universal demand, and are eager to buy from other nations the materials on which our industries depend, we are reduced very nearly to the old system of barter prevailing in uncivilized times. It is estimated that England during the last few years has annually invested among the nations of the world about $1,000,000,000 of her surplus capital, and now holds over $5,000,000,000 of American securities. We have paid the interest on this vast sum and have met partial calls for this loan

from time to time by the shipments of grain, cotton and other commodities, yet we are still very much their debtor. Figures are inadequate to picture the amount of this indebtedness, for it is a sum far beyond the power of this country or any other country to pay on demand. This is said with no disparagement of our prosperity. In per capita wealth and in boundless natural development we have congratulated ourselves for many years that we were one of the richest nations in the world, but our assets are not liquid. They are tied up in railroads, mines, mills, and in all the multitude of our business enterprises, which although real wealth, are not readily convertible. England, France, Holland and in a lesser degree Germany, have in addition to these fixed assets, accumulated as the result of their longer national life and highly developed world commerce, a much larger surplus of quick assets than we can possible claim, and in the time of calling of loans it is with nations, as with men, that conversion of fixed assets is a slow process, often accompanied by great shrinkage of capital.

Because of the optimism that is characteristic of the American temperament we have heard a great deal in the last few weeks about the development of our export trade. Follow this for a moment and see where it leads us.

South America is our nearest neighbor, and trade routes thereto are naturally the least liable to interruption by any of the warring nations. Further we would seem to be in the comfortable position of a salesman who, through disaster, had lost his chief competitor. Without any spirit of pessimism it behooves us, however, to face the situation squarely and we find that South America is deeply in debt to the old world, that almost all their government loans are owned in Europe, that most of their railroads and industries are financed and even operated by foreigners. The nations to the south of us are in an earlier period of national life than our own country and have not far advanced beyond the stage of natural development, with industries as yet nowise ample to their needs. Our southern neighbors have been the largest users of foreign credit on which



they have been almost entirely dependent. These advances have taken the form not only of actual investments of capital in their enterprises, but in the granting of long credits to merchants and in the financing of all the complicated transactions between producer, dealer and consumer. As a result of this financial relation the trade routes to them and international exchange have been in the hands of our competitors, and we as a nation have been obliged to depend upon our rivals for the distribution and financing of what small amount of trade we have secured from South America.

Are we prepared at the moment with all the problems, which we face in upholding our own complicated structure of credit, to assume the added burden of the financing necessary to relieve our South American neighbors from the desperate situation in which they find themselves? Means are ready at hand to facilitate this financing by exchange through New York rather than through London, but if we expect to do more now or in the next few years than to sell emergency goods we must be prepared to assume the additional burden of financing the trade and assisting the enterprises from which European nations may be forced to withdraw.

I have gone into this discussion of international trade in some detail, for the problem which confronts us at home and abroad appears to be largely a financial one, affecting not only our international relations, but the relations between producer, manufacturer and consumer in our own country. By the use of the easiest methods we have lulled ourselves into fancied security, and turned over to foreign nations five-eighths of our cotton crop, 15 per cent. of our wheat, 60 per cent. of our copper production, besides numberless other commodities, both raw and in the finished state. We have received in exchange for these an influx of gold or its equivalent, congratulating ourselves meanwhile that the balance of trade was in our favor, yet not realizing that we were leaving to our competitors in the world market the banking facilities and the distribution of our own products.

It is time for us to take account of stock and to realize that to produce our raw materials, to manufacture them into finished goods and be satisfied to sell them merely to our people or to the foreigner at our ports is a mistake. We should take this opportunity which has brought such a rude awakening, to seize by every means within our power upon the avenues of distribution represented by the great trade routes of the world, where the fleets of foreign merchantmen go to and fro and where our flag is rarely seen. As a natural sequence of such foreign commerce we shall secure for ourselves the added reward that the financing of the raw materials and manufactured goods exchanged with other countries must bring us.

After years of effort the beginnings have been made in the foundation of an international exchange financed by our own banks, but we should not be satisfied until our manufactured products as well as our raw materials are carried to our customers and even to our competitors in our own ships. By no artificial means can our merchant marine be revived. It is not sufficient for us to own ships, we must be able to operate them under the American flag along the trade routes to the ports where we wish our products to go, and to do this we must devise wise measures by which the operation of such ships can be profitable. Our present antiquated navigation laws impose a burden on the operation of ships under the American flag that will not be relieved by any subterfuge of American registration. In other words, unless we make shipping as profitable as other lines of endeavor we cannot expect American capital to embark upon it. Recent proposed legislation, it may be noted, has not been drafted in favor of ship owners, but will tend to increase rather than dimish the handicap under which they now labor.

How can we convert our national wealth into quick assets? For if, as has been said, the trade follows the flag, how much truer it is that trade follows the man with the money bag.

We can stop our national tendency toward waste and extravagance, not alone in the individual, but in our govermental activi-



ties. Coincident with the high cost of living has come the higher cost of government, and to a more marked degree, for figures show that in the last twelve years the average citizen pays 63 per cent. more taxes without commensurate benefits for such payment. We also have the multiplication of commissions, the endless waste which a political system based on patronage entails, the unnecessary expenditure of the nation's wealth in buildings and improvements which satisfy our national pride rather than enhance our national wealth and stability.

We must also by every means in our power stop the nation—wide distrust of corporate aggregations of capital. In the last few years most of the legislation having to do with business has been passed with the intent to punish rather than preserve, to tear down rather than to build up. It has been strangulation rather than regulation.

Capital is not the investment of the millionaire; it is the concentrated savings of the millions. Our great corporations are not owned by a few, but are the industrial savings banks of the nation, and it is no exaggeration to say that the majority of men managing our corporations, both large and small, regard themselves as trustees for the savings of their fellows.

While no doubt evils have crept into our business life, there is no justification for the unproved and sensational attacks which have been directed against capital, without any thought of the injury inflicted on the multitude of small contributors to the great aggregation.

The occurrences of the last two months have brought home to us as never before the power and the benefit to every citizen in the republic, no matter how humble, of capital when rightly used, and to the glory of American business be it said that in the trying times through which we are passing capital has borne the full brunt of the emergency, realizing that it was only by its free use that the complicated structure of our industrial and commercial life could be kept secure.

If there existed a money trust in this country, cruel, grasping, and seeking its own selfish ends, as has been so vehemently

charged, the last sixty days would have seen one-half of our enterprises in the hands of receivers or being bought up at bargain prices.

But how different the action of so-called concentrated financial power. With the true spirit of cooperation, instead of causing wrecks they have furnished pilots and lighthouses, and instead of the destruction of commercial enterprise it has been maintained and preserved in spite of the interposition of strange and unanticipated issues.

The history of the last few years of national and state legislation has witnessed a development of commissions never before dreamed of in any country under a republican form of government. These commissions have been organized for every conceivable purpose, but mainly their energies have been devoted to the regulation and investigation of so-called existing evils in our commercial structure, rather than to the development of our admittedly adequate resources along lines not hitherto undertaken. How much wiser it would be if commissions should be empowered to study the whole subject of the encouragement of American trade and recommend to Congress what legislation is needed to enlarge our surplus of quick assets, free our capital from harassment and restriction and expand our foreign trade by enabling American shipping to take its place on the high seas as the messenger of our already firmly established industries. International exchange with its inevitable profit would then be in our own hands, and no artificial stimulation would be needed to establish in this country the financial capital of the western hemisphere. The periods of industrial depression through which we have passed would thus be obviated by extending our influence over the world, instead of fighting each other for our own market, so often overstocked. I believe that many of the business evils so bitterly complained of may be traced to the source of excessive competition and would then surely right themselves without government regulation.

What I have hitherto said applies to our industries in general, but to cotton manufacturing most of all. The spinning and



weaving of cotton cloth was the first industry in America to leave the home for the factory. From small beginnings it has built up an invested capital of at least $843,000,000. It is still, as it always has been, highly individualistic. It is one of the few industries against which no charges of illegal combination or any of the other wrongs so bitterly complained of have ever been made. It is the one industry adapted to supply the needs of all nations of the world, whether civilized or uncivilized. To anyone familiar with the over production which has been in evidence during the last decade it is patent that we can more than supply the wants of our own people. We are, therefore, the industry most dependent on the development of our country as a shipping and financing nation. To use a homely expression: In what export trade we have so far done we find ourselves in the position of a storekeeper who uses his competitor's banking facilities and delivery wagons. If the cotton industry is to be prosperous and give steady employment to its vast number of operatives and a fair return to its investors, we must make every effort to get and keep the financing and distributing of our products to the nations of the world out of the hands of our competitors; for there is no question that with these facilities in hostile hands we are constantly being put in a position where competition is impossible.

I would urge upon you, gentlemen, members of our Association, to give attention to these financial problems and bring them before your representatives in state and nation in no uncertain terms. For the people of the United States must learn a lesson from the present crisis and make it their chief concern that America shall in the future control the financing and distributing of its own products.

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